

Message Text

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43

ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-06 IO-10 ISO-00 SSO-00 NSCE-00

USIE-00 INRE-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00

PRS-01 SP-02 FEAE-00 OMB-01 XMB-02 /110 W

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FM USDEL MTN GENEVA

TO SECSTATE WASHDC IMMEDIATE 213

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

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PASS STR, AGRICULTURE AND CODEL

E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: MTN: SUB-GROUP GRAINS MEETING JUNE 23-26

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REF: A. STATE 146389; B. MTN GENEVA 4935

1. FOLLOWING IS THE INITIAL STATEMENT MADE BY U.S. DEL (KOENIG)
AT THE JUNE 23-26 MEETING OF THE MTN SUBGROUP GRAINS.

(1) QUOTE. IN THE STATEMENT MADE BY MY DELEGATION ON 26 MAY,
WE SAID THAT WE REGARD TRADE LIBERALIZATION IN GRAINS AS THE
CORNERSTONE OF THE MULTILATERAL TRADE NEGOTIATIONS IN AGRI-
CULTURE. WE EMPHASIZED THIS POINT BECAUSE GRAINS ARE THE
FOUNDATION OF THE AGRICULTURAL ECONOMIES OF MOST COUNTRIES;
BECAUSE GRAINS ARE BASIC TO THE FOOD SUPPLY OF THE WORLD; AND
BECAUSE GRAINS PLAY A MAJOR ROLE IN WORLD TRADE IN GENERAL
AND THE WORLD'S AGRICULTURAL TRADE IN PARTICULAR.

(2) MOREOVER, WE MADE THE POINT THAT GRAIN EXPORTS ARE NOT
ONLY ALL-IMPORTANT TO THE UNITED STATES, BUT THAT UNITED
STATES SUPPLIES OF GRAINS ARE OF PARAMOUNT IMPORTANCE TO
THE GRAIN SUPPLY, AND THAT MEANS TO THE FOOD SUPPLY, OF
THE WORLD. WE POINTED OUT, IN PARTICULAR, THAT UNITED STATES
FOOD AND FEED GRAIN EXPORTS OTHER THAN RICE REPRESENTED IN 1973/74
ABOUT ONE TENTH OF THE WORLD'S APPARENT CONSUMPTION OF THESE
GRAINS OUTSIDE THE UNITED STATES. THUS, UNITED STATES GRAIN
EXPORTS, BOTH COMMERCIAL AND CONCESSIONAL, TRULY SUSTAINED THE
CONSUMPTION OF HUNDREDS OF MILLIONS OF PEOPLE IN FOOD AND
GRAIN DEFICIT COUNTRIES.

(3) WE CONSIDER THAT THE MAJOR CONTRIBUTION TO THE DEVELOP-
MENT OF A HEALTHY WORLD ECONOMY FOR GRAINS IS THE EXPANSION AND
EVER-GREATER LIBERALIZATION OF WORLD TRADE.

(4) HOW CAN LIBERALIZATION CONTRIBUTE TO THIS END? THE DEMAND
AND THE NEED FOR GRAINS ARE EXPANDING. IT IS THEREFORE NECESSARY
TO PERMIT THE PRODUCTIVE POTENTIAL OF THE WORLD'S GRAIN ECONOMY
TO DEVELOP AND TO CREATE CONDITIONS SUCH THAT BOTH THE
PRODUCTIVE POTENTIAL AS WELL AS THE CONSUMPTION POTENTIAL BE
BALANCED IN THE BEST POSSIBLE WAY.

(5) IN DOING THIS WE MUST AVERT TWO DANGERS: THE DANGER THAT
PRODUCTION INCREASES IN AN UNECONOMICAL WAY; AND THE DANGER
THAT CONSUMPTION IS RESTRICTED AND INHIBITED BY UNECONOMICAL
MEASURES. IN OTHER WORDS, WE NEED A REGULATOR WHICH WILL PERMIT
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THE BEST POSSIBLE ALLOCATION OF RESOURCES. WHICH IS THIS
REGULATING MECHANISM? UNDER PRESENT CONDITIONS, THERE IS ONLY
ONE - THE MARKET. SINCE THE EFFECTS OF MARKET FORCES MAY AT
TIMES NOT BE IN HARMONY WITH CERTAIN SOCIAL OBJECTIVES -
OBJECTIVES WHICH MAY BE VERY LEGITIMATE - MOST COUNTRIES,
INCLUDING THE UNITED STATES, HAVE SUPPORT PROGRAMS FOR GRAINS.
THUS NOBODY SHOULD INTERPRET OUR APPROACH AS IMPLYING AN ADVOCACY
OF LAISSEZ-FAIRE. WHAT WE, HOWEVER, ADVOCATE IS THAT PUBLIC

POLICIES AND ACTIONS PROVIDE FOR A LARGE DEGREE OF FREEDOM FOR THE INTERPLAY OF MARKET FORCES AS REGARDS INTERNATIONAL TRADE.

(6) THIS VIEW IS BASED ON AN UNDENIABLE AND INCONTROVERTIBLE FACT: THE LAW OF SUPPLY AND DEMAND IS NOT AN ACT OF LEGISLATION. THE LAW OF SUPPLY AND DEMAND THEREFORE CANNOT BE REPEALED. IT IS A POTENT FORCE EVEN IN PLANNED ECONOMIES.

(7) TRUE, ITS INHERENT ALLOCATIVE EFFECTS CAN BE AND ARE OFTEN SUPERSEDED BY INCOME DISTRIBUTIVE MEASURES. THESE MEASURES ARE THE ESSENCE OF THE VARIOUS SUPPORT PROGRAMS. BUT IN THE LONGER RUN THESE MEASURES MUST TAKE ACCOUNT OF MARKET FORCES. FAILURE TO DO SO CREATES INSTABILITY.

(8) STABILITY HAS BEEN MENTIONED BY MOST DELEGATIONS OR MEMBERS HERE AS ONE OF THEIR IMPORTANT OBJECTIVES IN THESE NEGOTIATIONS. THE UNITED STATES FULLY SHARES THIS VIEW. STABILITY MEASNS MARKET EQUILIBRIUM. WITHOUT EQUILIBRIUM, THERE CANNOT BE ANY STABILITY. BUT EQUILIBRIUM, AND THEREFORE STABILITY, IS A DYNAMIC CONCEPT WHICH ALLOWS PERMANENT CHANGES IN BOTH SUPPLY AND DEMAND.

(9) OUR TASK HERE IS, OF COURSE, NOT TO SET LAWS OR RULES FOR THE INTERNAL AGRICULTURAL POLICIES OF VARIOUS COUNTRIES. WE PROCEED HERE ON THE BASIS OF FULLEST RESPECT FOR THE AGRICULTURAL POLICIES OF ALL COUNTRIES IN THE WORLD, BE THESE COMMON AGRICULTURAL POLICIES OR OTHER POLICIES.

(10) WE ARE HERE TO ADDRESS OURSELVES TO FRONTIER OBSTACLES TO TRADE. THUS, IN THE CONTEXT WITHIN WHICH WE ARE SPEAKING, WE ADDRESS OURSELVES TO THE REDUCTION AND, IF POSSIBLE, ELIMINATION OF TRADE BARRIERS AND TRADE DISTORTING MEASURES LIMITED OFFICIAL USE

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FOR GRAINS.

(11) THIS IS THE MEANING OF THE WORD LIBERALIZATION. THIS IS THE TASK WHICH IT IS INCUMBENT UPON US TO PURSUE IN ACCORDANCE WITH THE COMMITMENTS WHICH ALL OF US HAVE UNDERTAKEN IN TOKYO.

(12) WE DO NOT SPEAK HERE OF LAISSEZ-FAIRE BUT LAISSEZ-PASSER. LET GRAINS PASS THE FRONTIERS* LET US FREE TRADE FROM THOSE OBSTACLES WHICH RENDER ACCESS DIFFICULT OR EVEN IMPOSSIBLE AND HENCE HINDER OR PREVENT COMPETITION. THIS TASK IS IN FULL HARMONY WITH THE LEGITIMATE DESIRES OF EFFICIENT PRODUCERS THROUGHOUT THE WORLD FOR THE ADEQUATE SAFEGUARD OF THEIR INTERESTS.

(13) IN ITS ANALYSIS OF THE NEED FOR TRADE LIBERALIZATION IN GRAINS, THE UNITED STATES HAS CONCLUDED THERE ARE SEVERAL IMPORTANT PROBLEM CATEGORIES REQUIRING THE URGENT ATTENTION OF MAJOR TRADING AND PRODUCING COUNTRIES:

A. THE PLACING OF REASONABLE BOUND LIMITS ON IMPORT CHARGES AND THE ESTABLISHMENT OF IMPROVED MARKET ACCESS;

B. THE ADOPTION OF AN AGREED CODE OR SET OF RULES ON EXPORT SUBSIDIES;

C. THE ESTABLISHMENT OF IMPROVED SAFEGUARD PROCEDURES RELATING TO IMPORT INJURY; AND

D. THE ADOPTION OF RULES RELATING TO SUPPLY AND MARKET ACCESS.

(14) THE UNITED STATES RECOGNIZES THAT THERE MAY BE OTHER CATEGORIES THAT OTHER COUNTRIES WOULD ADD TO THIS LIST.

(15) TO MOVE FORWARD AS EXPEDITIOUSLY AS POSSIBLE WITH ITS WORK IN THIS KEY AREA OF GRAINS NEGOTIATIONS, THE UNITED STATES PROPOSES THE FOLLOWING WORK PROGRAM FOR THE SUB-GROUP:

(16) THE SUB-GROUP WOULD TAKE UP A LIMITED NUMBER, PERHAPS ONE OR TWO, OF THE MAJOR CATEGORIES OF MEASURES DEEMED BY COUNTRIES TO HAVE AN IMPORTANT BEARING FOR GRAINS IN THE MTN. LIMITED OFFICIAL USE

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THE UNITED STATES SUGGESTS THAT PRIORITY BE GIVEN TO VARIABLE LEVIES, MINIMUM IMPORT PRICES, EXPORT SUBSIDIES, AND SUPPLY AND MARKET ACCESS.

(17) THE SUB-GROUP WOULD BASE ITS WORK ON DOCUMENTS TO BE SUBMITTED BY THE SECRETARIAT SUMMARIZING THE MEASURES EMPLOYED BY COUNTRIES IN THESE CATEGORIES, WITH THE UNDERSTANDING THAT PARTICIPATING DELEGATIONS COULD INTRODUCE ADDITIONAL RELEVANT MATERIAL.

(18) THE AGREED TASK OF THE SUB-GROUP WOULD BE TO (A) ASCERTAIN THE ECONOMIC EFFECTS OF THESE MEASURES ON BOTH IMPORTING AND EXPORTING COUNTRIES, (B) CONSIDER SPECIFIC PROPOSALS FROM COUNTRIES REGARDING THESE ELEMENTS, AND (C) COMMUNICATE THE RESULTS TO OTHER GROUP CONCERNED, INCLUDING THE TARIFF AND NON-TARIFF MEASURES GROUPS, AS PROVIDED IN THE TERMS OF REFERENCES AGREED BY THE AGRICULTURE COMMITTEE.

(19) AFTER COMPLETION OF THIS INTENSIVE EXAMINATION OF THE FIRST MAJOR ELEMENT OR ELEMENTS, THE SUB-GROUP COULD TAKE UP ADDITIONAL ONES. CLEARLY THE INTERRELATIONSHIPS BETWEEN THESE ELEMENTS WOULD SURFACE DURING THE PROCESS OF CONSIDERING

COUNTRIES' PROPOSALS AND THESE WOULD BE NOTED AND BROUGHT
TOGETHER IN THE FINAL PHASE OF THE SUB-GROUP'S WORK, WHICH
WOULD BE TO WORK IN CONJUNCTION WITH THE TARIFF AND NON-TARIFF
GROUPS IN ARRIVING AT A HARMONIOUS AND BALANCED DEVELOPMENT
OF ALL THE ELEMENTS SUBJECT TO NEGOTIATION. UNQUOTE.
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